

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7504

BILL NUMBER: HB 2002

NOTE PREPARED: Jan 27, 2003

BILL AMENDED:

SUBJECT: Qualified Education Expense Tax Credits.

FIRST AUTHOR: Rep. Turner

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X

X

**GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: The bill provides income tax credits related to elementary and secondary education for charitable contributions to foundations that provide tuition scholarships for nonpublic schools and expenditures for out of school education of dependents who attend public schools.

Effective Date: January 1, 2003 (retroactive).

Explanation of State Expenditures: The Department of State Revenue (DOR) would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate these tax credits. These expenses presumably could be absorbed given the DOR's existing budget and resources.

Explanation of State Revenues: This bill creates an Adjusted Gross Income (AGI) Tax credit for charitable contributions to organizations that provide scholarships for nonpublic and home school expenses. The bill also creates an AGI Tax credit for certain educational expenses incurred by taxpayers with children in public schools. The bill provides that if one of the credits is held to be invalid, the other credit would also be void. These credits are effective beginning tax year 2003. The tax credits will affect revenue collections beginning in FY 2004. The tax credits may not exceed the taxpayer's tax liability. The table below contains a summary of the credits.

Tax Credit	Max Single Taxpayer	Max Joint Tax Return	Max Corp Taxpayer
Sect. 5.3 Contributions to school scholarship organization - made to an organization to provide scholarships for nonpublic school and home school expenses; no direct benefit to taxpayer's dependent	\$500	\$1,000	\$500
Sect. 5.5 Public school academic instruction - expenses for instruction/instructional materials in core curriculum areas outside a regular school year or school day.	\$500 per dependent		NA

It is estimated that the scholarship contribution tax credit could reduce AGI Tax revenue from individuals and corporations by \$4.0 M annually; and the tax credit for qualified educational expenses of public school students could potentially reduce AGI tax revenue from individuals by \$52.0 M annually. However the cumulative impact of these tax credits is difficult to estimate since a taxpayer may take both of these tax credits but these credits can not exceed a taxpayer's tax liability.

Revenue from the AGI Tax on corporations is deposited in the state General Fund. Eighty six percent of the revenue from the AGI Tax on individuals is deposited in the state General Fund, and 14% of this revenue is deposited in the Property Tax Replacement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Department of Education.

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